

Dynamics of Workplace and Firm-level Wages
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We use U.S. Census data for 1975-2002 of the Longitudinal Business Database (LBD) and Economic Census to investigate trends in establishment level wages within firms for all non-agricultural sectors of the U.S. economy. Census identifiers permit identification of the relationship of workplace establishments longitudinally and of their relationship to establishments within the same firm. This allows us to analyze the wage distribution by establishments over time and to test for the presence of firm effects on levels and changes in wages over time. We explore the contributions of within and across establishment and within and across firm wage variation to the widening of the wage distribution. This demand side view will complement much previous literature on earnings inequality that has used individual-level data. With the manufacturing sector now comprising less than one fifth of employment in the economy, moreover, we will focus on non-manufacturing sectors such as business and other services.

The data on wages and employment in establishments within firms provides a distinct picture of the nature of “the firm”. We explore the extent to which establishments in multi-establishment firms operate in similar industries or are diversified, and whether they show similar patterns or changes in wages. The data allow us to examine why some firms appear to deviate from prevailing wages within industry or location, which could be due to distinctive within-firm human resource policies, or to unobserved rents. Moreover, the data allows us to examine the entry and exit of establishments and the role of their pay on their survival and growth of employment. Do firms with above/below industry-average wages grow more/less quickly or have higher/lower survival rates? Where do new entrant establishments fit in the wage distribution? Where do establishments that close fit in the wage distribution? What happens to workplaces when they are merged or acquired?

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